}"Open Dialogue"{

Interim Report 2010

genesis ENERGY

Q:

"How has Genesis Energy reshaped its business to drive greater financial value for its shareholders?"

Contents:

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Q:

"Most New Zealand businesses faced challenging trading conditions in 2009; how did Genesis Energy perform in such a testing environment?"

A:

Genesis Energy has reported a better than expected financial performance in the six months to the end of December 2009. The unaudited net profit after tax of $64.6 million increased from $49 million in the comparable period in 2008.

The increase was due in part to better trading performance, including increased revenues from the provision of frequency keeping services, offset somewhat by a lower contribution from our Retail business.

Operating revenue for the six months to 31 December 2009 was down to $961.4 million from $1,042 million in the same period in 2008. Revenue from wholesale electricity sales decreased to $269 million ($354 million) due to lower generation volumes and lower wholesale prices. Revenue from retail electricity and gas sales remained static at $682 million due to aggressive competitor activity in both markets.

Generation output in the six months to the end of December 2009 of 3,923GWh was 411GWh less than it was for the comparable period with both renewable and thermal generation volumes down. The average price received for generation output in the six months to December 2009 was $51 per MWh compared with $77 per MWh for the same period in 2008.

Genesis Energy's business strategies to improve shareholder value include the repositioning of the Retail business and the review of the operation and asset management of its Generation portfolio.

Albert Brantley, Chief Executive — Dame Jenny Shipley, Chairman

During the first half, much progress was made towards securing a satisfactory commercial arrangement for Units 1 to 4 at the Huntly Power Station. The Company agreed terms with Meridian Energy for a significant dry year hedge covering an extended time period. This agreement delays the planned retirement of the first of the older dual fuel units at Huntly. However, it does not end the issue. Costs to maintain the units are increasing and current and anticipated wholesale prices and despatch volumes are not sufficient to cover these costs. The Company is seeking further commercial arrangements for the units and is exploring a range of long-term storage options for the four units that would allow these to be brought back to the market if commercial circumstances permit.

Market reform favours competition

The Company supports the Government's announced policy in December 2009 to improve retail competition through the introduction of compulsory hedges and an asset transfer of Tekapo A and B Power Stations

01 High water inflows into the country's hydro lakes had a big impact on generation volumes.

02-03 Commissioning of the Kupe Oil and Gas Project commenced during the year.

04 Hau Nui Wind Farm: a second extension is under study.

$64.6M

Genesis Energy's unaudited net profit after tax for the six month period to December 2009.

to Genesis Energy. We believe a more balanced and geographically-spread Generation portfolio, achieved through real and virtual swaps, will lead to greater competition and improved outcomes for electricity and gas customers. Commercial negotiations to achieve a satisfactory outcome for the Shareholders regarding Tekapo A and B have commenced with the stations' owner Meridian Energy.

Optimising our fuel supplies

The Company's fuel strategy is to optimise our current supply contracts to meet more closely our commercial needs for coal and gas. The level of Genesis Energy's coal stockpile was 826 kilotonnes at 31 December 2009, compared with 707 kilotonnes in December 2008. The Company is continuing to closely manage its coal stockpile levels and coal supply agreements.

Commissioning of the Kupe Oil and Gas Development Project continued during the half year and a key project milestone was reached on 4 December 2009 when Kupe Well No. 6 was opened remotely from the land-based production station. On 18 December, Well No. 7 was opened and successfully commissioned. By the end of the month, production of natural gas, light crude oil and LPG was proceeding as planned.

During the period under review the Government introduced a revised Emissions Trading Scheme. From 1 July 2010 to 31 December 2012, Genesis Energy will be liable to the Government for carbon emissions at a rate of $12.50 per tone CO_2. The Company has addressed the impact of climate change and emissions trading by setting a target to reduce carbon intensity of generation production by 30 per cent below 2005/2006 levels of 699tCO_2 per gigawatt hour by 2015. Genesis Energy's carbon intensity for the six months was 476tCO_2 per GWh generated.

Generation emissions for the six months ending 31 December 2009 were 1,865 kilotonnes, down from 2,218 kilotonnes for the same period in 2008.

Retail competition intensifies

Competition for retail electricity and gas customers intensified during 2009 with high levels of switching between retailers. Genesis Energy was affected by the switching activity and responded by holding retail tariffs stable, improving business systems and customer service, and focusing on customer loyalty.

In February 2010, Genesis Energy announced a competitive price offer for Dunedin electricity and LPG customers. Following a careful analysis of the numbers, a price was offered that provided real competition for the incumbent, Contact, and maintained an adequate return for our business. With the likely ownership of two South Island power stations ahead, the Company is keen to develop a substantial portfolio of customers and share the competitive benefits of Genesis Energy operating in the region.

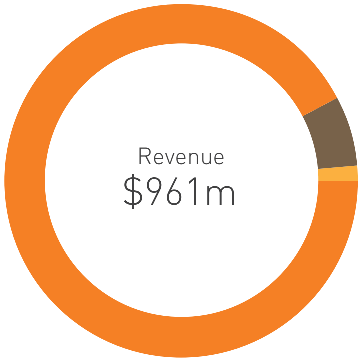
A significant business decision to bring the Hamilton customer contact centre in-house was taken during the reporting period. A project was initiated to take over the

01


02


03


Revenue by Sector



management of the contact centre and to transfer its staff to Genesis Energy by 1 March 2010. The drivers for this change are to bring Genesis Energy closer to its customers, create a seamless culture throughout the Company, and to improve operating efficiencies that can be passed on to customers.

The roll out of Advanced Meters for our electricity customers continued to grow in pace during the half year. Just over 30,000 Advanced Meters were installed by the end of December 2009. To test customer interest in new products based on these meters, a peak/off-peak tariff was offered to customers with Advanced Meters in West Auckland. The take-up of the offer continues to grow as customers realise the benefits of changing their electricity consumption behaviour.

Development targets on track

Genesis Energy has a target to consent and construct 300MW of renewable energy projects by 2015. We have continued to make progress on this objective with accelerated work on a range of generation development projects. The most visible of these are two wind farm sites in the Wairarapa. Six 80-metre high wind monitoring masts have been installed in the northern site, east of Eketahuna, and two masts have been erected on the southern site, just west of our current wind farm, Hau Nui. While wind data gathered to date is promising, it is our intention to consent and construct only economically-sustainable projects.

After a year of uncertainty regarding major issues such as the Emissions Trading Scheme and the structure of the electricity market, Genesis Energy enters 2010 with more clarity for its business and strategic direction following the passage of the Climate Change Response (Emissions Trading) Amendment Act 2008 and the Government's decisions on the Ministerial Review of Electricity Market Performance.

New Chairman

In closing, we would like to acknowledge the retirement from the Board of Brian Corban, chairman of this company for almost 10 years, and the appointment of the Rt Hon Dame Jenny Shipley as the Company's new chairman. As chairman, Brian Corban ably steered Genesis Energy through the early days of establishment, growth and consolidation. With a new Chair, the Company is poised to enter a new phase of business development and growth that will deliver success and value for the Shareholders, customers and stakeholders.

Rt Hon Dame Jenny Shipley DNZM
Chairman

Albert Brantley
Chief Executive

Q:

“The retail energy market has become more competitive in the past 12 months. How is Genesis Energy persuading its customers to stay with the Company?”

A:

In the retail electricity and gas market customer loyalty has become increasingly important. Electricity, natural gas and LPG are energy commodities and each provider's product is no different from another's. What makes the difference is the price the customer pays, the service they receive and additional benefits provided to them. Customers also stay with a brand they can identify with; a brand that resonates with them.

Genesis Energy recognises that the cost of energy to customers, both domestic and commercial, is important. It is our responsibility to run an efficient, low cost business in order to constrain price increases. In the past six months, the Company has held energy prices stable for the bulk of our customers. (In some individual cases customers have seen a change because they were on incorrect tariffs in relation to their usage.)

01

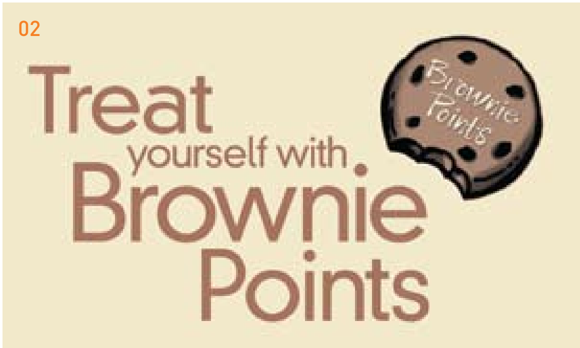
Genesis Energy's customer service arrangements have been under review during the past six months and, as a result, the outsourced customer contact centre in Hamilton has been brought in-house. Over recent years, we have determined the need to maintain a closer relationship with our customers without the need for an external specialist company. As well as bringing the contact centre staff in-house, we have focused on improving the systems and processes within the centre. We see this as an exciting opportunity to create one company with one culture that delivers a great customer experience, benefitting and producing increased efficiencies that can be passed on to our customers.

Through the first half of the financial year, the roll out of Advanced Meters continued with the pace of installations growing each month. By the end of December, 30,000 meters had been installed in Auckland and Wellington. Advanced Meters offer a range of customer benefits, some of which are readily available, although others are yet to be introduced as the scale of installation and technology improves. At no cost to the customer, Advanced Meters are installed in properties and provide an accurate reading every month, eliminating estimates and the need for a meter reader to gain a reading from sometimes difficult-to-access meters.

Customers and consumer groups have been calling for the advantages of Advanced Meter or 'smart meters' to be made available. In September 2009, Genesis Energy became the first electricity retailer to offer a seven-day-a-week Peak and Off-Peak tariff via an Advanced Meter.

Genesis Energy seeks to reward customers for their loyalty through the Brownie Points programme. This customer loyalty programme offers points as a reward for certain behaviours, such as receiving a bill and paying it online or using the Your Account online account management feature. These behaviours not only save business costs but also contribute to the Company's sustainability targets of reducing paper and waste.

02



The Genesis Energy brand also addresses customer loyalty by providing, through advertising, a sense of how Genesis Energy behaves as an electricity generator and energy retailer. The latest brand campaign, launched in October, has a central theme of being a good neighbour and focuses on community programmes such as the Genesis Oncology Trust and Schoolgen.

01 Schoolgen at Tirimoana School, Te Atatu.

02 Genesis Energy's Brownie Points programme seeks to reward customer loyalty.

Q:

“What steps has the Company taken to ensure its generation assets continue to operate efficiently and profitably into the future?”

A:

Genesis Energy's production strategy is to manage its generation assets to maximise their value to the business. The Company is committed to repositioning, operating and maintaining its assets to create shareholder value.

The Company recognises that a greater commercial focus is required to deliver on this strategy. To that end, a change management programme has been enacted within the Production unit with a focus on building more flexibility into generation operations and seeking more value from expenditure.

As set out in Genesis Energy's Statement of Corporate Intent, the older four units at Huntly Power Station face severe commercial challenges and may face retirement in the next few years unless market-based solutions are found. During the reporting period, the Company agreed terms with Meridian Energy for a significant dry year hedge covering an extended time period. This agreement delays the retirement of the first of the older dual fuel units at Huntly. However, it does not end the issue: costs to maintain the units are increasing and current and anticipated wholesale prices and despatch volumes are not sufficient to cover these costs.

Genesis Energy continues to seek further similar commercial arrangements for Huntly but in the meantime is focused on maximising its returns from the power station.

Generation output from Huntly Power Station in the six months to 31 December 2009 was 2,809GWh, a decrease from 2008 largely due to higher volumes of generation from Genesis Energy's hydro units and those of our competitors. Hydro generation was 1,094GWh and wind 20GWh.

Wholesale market prices during the period were variable, especially in the second quarter, as national hydro storage increased but North Island thermal plant came off line for annual summer maintenance outages.

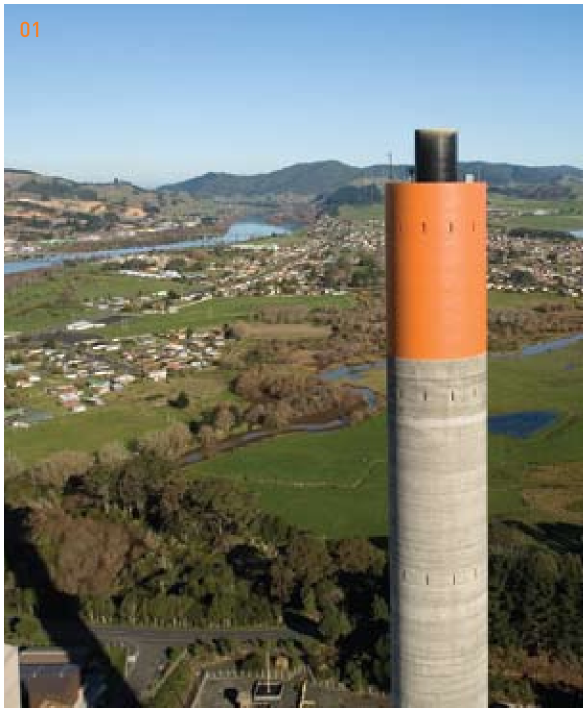
On 5 August 2009, Genesis Energy and four other generators/retailers established EnergyHedge Limited to operate the electricity hedge trading market under a more formalised structure. The move was designed to reinforce governance, increase transparency and to further develop the electricity hedge market by introducing new participants and new products.

Genesis Energy's 2009/2010 Year to Date Emissions are outlined below:

Generation emissions	Kilotonnes 2008/2009	Kilotonnes 2009/2010	Percentage change
July	**553**	485	- 12
August	**436**	303	- 30
September	**293**	261	- 11
October	**283**	208	- 26
November	**360**	324	- 10
December	**293**	283	- 03
TOTAL	2,218	1,865	-16

2,809GWh

Generation output from Huntly Power Station in the six months to 31 December 2009.



01 Huntly Power Station: lower output.

Q:

"More generation is required for the New Zealand market. What is Genesis Energy doing to develop new generation?"

A:

Genesis Energy has increased its investment in generation development activities. The Company has established dedicated teams to explore a number of wind, hydro, thermal and geothermal prospects.

Data has been collected at two potential wind farm sites – Castle Hill, a large site east of Eketahuna, and Hau Nui 3, located near the existing Hau Nui wind farm south-east of Martinborough.

Genesis Energy used mesoscale modelling technology for its initial wind resource assessments, rather than the traditional approach of erecting short monitoring masts. Mesoscale modelling predicts the wind speeds based on reliable simulations of actual weather events and is a good way of reducing the project risk. The results of that initial assessment were favourable and Genesis Energy now has six wind monitoring masts erected at Castle Hill to further capture data and validate the modelling.

At Hau Nui 3, where there are two wind masts currently installed, Genesis Energy has entered the final phase of its feasibility study. Other wind sites in the North and South Islands are also under investigation.

Additionally, a review has continued on the potential of installing a second gas turbine in combined cycle mode adjacent to the existing Unit 6 at the Huntly Power Station. Investigations into a number of geothermal opportunities are being undertaken in central North Island, with further survey work on some of these sites starting in February 2010.

31%

Genesis Energy's share in the Kupe Gas Field Project, which will make a significant contribution to securing New Zealand's gas supply needs for the next 10 to 15 years.

01 Kupe Gas Project commissioning.

02 A wind monitoring mast at Castle Hill, Northern Wairarapa.

There are also a number of small to medium-sized hydro prospects in both the North and South Islands that are being considered by the Company. Decisions about these sites are not expected for some time, until further investigation has been carried out.

The past six months have also seen the first gas and liquids from the Kupe Gas Field, near New Plymouth, piped ashore. Genesis Energy owns a 31 per cent share in the project, which will make a significant contribution to securing New Zealand's gas supply needs for the next 10 to 15 years.

Q:

P.12

"What progress has the Company made towards integrating sustainability principles in its business?"

A:

For Genesis Energy, sustainability is a continuing journey of reducing our impacts, operating with the highest standards of governance, and recognising and responding to the needs of our customers and the community.

Genesis Energy also recognises that it will achieve greater business benefits by considering the broader concepts of sustainability as it executes its business strategy.

It has become increasingly apparent that it is not possible to look at sustainability in isolation of our business strategy and performance. Ultimately, sustainability is about understanding and managing areas material to future performance.

In the period under review, we have identified the material issues that are influencing the Company's ability to deliver on our business strategy. We have also considered stakeholders' material issues. Issues were then prioritised based upon the following parameters:

- the degree to which the issue impacts on our ability to deliver on the business strategy;
- the degree to which we can influence the issue; and
- the degree to which New Zealand society has an interest in the issue.

The next stage in this process will be the development of a suite of targets to address the material issues and to deliver on the Statement of Corporate Intent's Business Objectives. The actions associated with these targets will then be reflected in individual employee's performance objectives. Once the targets are established, everyone at Genesis Energy will have a role to play in delivering on sustainability.

01

Staff volunteer 1,500 hours to the community

During the past year, 191 Genesis Energy employees have made a real difference in the community, as part of the Company's Employee Volunteer programme.

They have spent many hours helping organisations throughout the country, including: Auckland Zoo, Hamilton Zoo, Kimihia Home and Hospital (Huntly), Department of Conservation (Waikato and Whakapapa), Red Cross Book Fair, Habitat for Humanity (Auckland), CanTeen, Greenhithe Primary School, and the Waikato Special Children's Christmas Party.

In December, 22 staff felt that they were able to make a tangible difference for special children in the lead up to Christmas. Their assistance in setting up the Waikato Special Children's Christmas Party at Mystery Creek, Hamilton, was rewarding in knowing that more than 1,300 children and their families were to be treated to an amazing experience.

In the coming year, we are excited at the prospect of encouraging our new contact centre staff to participate in the Waikato community and grow the Company's involvement through the Employee Volunteering programme.

02

01-02 Employees help in many community projects.

Financials:

Condensed Consolidated Interim Financial Statements

Condensed consolidated income statement

— for the six month period ended 31 December 2009

	Notes	Six months ended 31 December 2009 Unaudited $'000	Six months ended 31 December 2008 Unaudited $'000	Year ended 30 June 2009 Audited $'000
Operating revenue				
Electricity revenue		**888,686**	957,813	1,803,082
Gas revenue		**61,736**	75,340	135,645
Other revenue		**10,930**	8,946	18,406
		961,352	1,042,099	1,957,133
Operating expenses				
Electricity purchases, transmission and distribution		**(427,280)**	(524,090)	(937,779)
Gas purchases and transmission		**(54,646)**	(60,841)	(110,269)
Fuel consumed		**(166,621)**	(176,672)	(344,752)
Employee benefits		**(29,065)**	(30,941)	(62,156)
Other operating costs		**(148,352)**	(131,031)	(299,784)
		(825,964)	(923,575)	(1,754,740)
Earnings before finance costs, income tax, depreciation, amortisation and financial instruments		135,388	118,524	202,393
Depreciation	13	**(30,514)**	(34,852)	(70,891)
Amortisation		**(7,747)**	(8,457)	(16,694)
Loss on revaluation of property, plant and equipment		**-**	-	(261,389)
Impairment	13, 15	**(5,259)**	(7,555)	(25,824)
Other gains and losses	8	**1,691**	9,348	(3,187)
Equity accounted gain/(loss) of associate		**39**	21	67
		(41,790)	(41,495)	(377,918)
Profit/(loss) before finance costs and income tax		93,598	77,029	(175,525)
Finance income		**905**	1,068	4,197
Finance expense	9	**(6,363)**	(7,937)	(17,333)
Profit/(loss) before income tax		88,140	70,160	(188,661)
Income tax (expense)/credit	10	**(23,588)**	(21,226)	52,945
Profit/(loss) for the period		64,552	48,934	(135,716)
Attributable to:				
Equity holders of the Company		**64,552**	48,934	(135,716)
		64,552	48,934	(135,716)

The above statements should be read in conjunction with the accompanying notes.

Condensed consolidated balance sheet

— as at 31 December 2009

	Notes	31 December 2009 Unaudited $'000	31 December 2008 Unaudited $'000	30 June 2009 Audited $'000
Assets				
Current assets				
Cash and cash equivalents		**33,979**	32,217	28,017
Trade and other receivables		**191,301**	180,416	241,188
Inventories		**101,541**	88,934	104,302
Derivative financial instruments	11	**4,578**	13,340	6,525
Current tax receivable		**12,417**	21,219	21,068
Total current assets		**343,816**	336,126	401,100
Non-current assets				
Trade and other receivables		**26,628**	36,942	31,643
Derivative financial instruments	11	**2,350**	11,061	4,155
Investments accounted for using equity method	12	**838**	745	791
Property, plant and equipment	13	**1,944,470**	1,877,681	1,912,181
Intangible assets	14	**124,850**	126,106	133,002
Oil and gas exploration and development assets	15	**126,103**	94,822	102,554
Total non-current assets		**2,225,239**	2,147,357	2,184,326
Total assets		**2,569,055**	2,483,483	2,585,426
Liabilities				
Current liabilities				
Trade and other payables		**197,551**	161,834	243,494
Borrowings	16	**11,008**	283,243	131,453
Derivative financial instruments	11	**16,625**	13,067	20,028
Provisions	17	**25,730**	5,889	4,534
Total current liabilities		**250,914**	464,033	399,509
Non-current liabilities				
Borrowings	16	**560,797**	314,733	492,871
Derivative financial instruments	11	**10,074**	12,431	14,141
Provisions	17	**44,865**	16,639	49,100
Deferred tax liabilities	18	**252,955**	244,232	236,965
Total non-current liabilities		**868,691**	588,035	793,077
Total liabilities		**1,119,605**	1,052,068	1,192,586
Net assets		**1,449,450**	1,431,415	1,392,840
Shareholders' equity		**1,449,450**	1,431,415	1,392,840

The Directors of Genesis Power Limited authorise these condensed consolidated interim financial statements for issue.

On behalf of the Board. 23 February 2010

Rt Hon Dame Jenny Shipley DNZM
Chairman

Joanna Perry MNZM
Director

The above statements should be read in conjunction with the accompanying notes.

Condensed consolidated statement of changes in equity

— for the six month period ended 31 December 2009

	Notes	Six months ended 31 December 2009 Unaudited $'000	Six months ended 31 December 2008 Unaudited $'000	Year ended 30 June 2009 Audited $'000
Profit for the period		**64,552**	48,934	(135,716)
Change in cash flow hedge reserve		**2,458**	1,708	(4,735)
Change in asset revaluation reserve		**-**	-	162,918
Net income (or expense) recognised directly in equity		**2,458**	1,708	158,183
Total recognised income and expense for the year		**67,010**	50,642	22,467
Dividends provided for or paid	19	**(10,400)**	(26,000)	(36,400)
Changes in equity for the period		**56,610**	24,642	(13,933)
Equity at the beginning of the period		**1,392,840**	1,406,773	1,406,773
Equity at the end of the period		**1,449,450**	1,431,415	1,392,840
Equity is comprised of:				
Share capital		**540,565**	540,565	540,565
Retained earnings		**516,639**	657,537	462,487
Asset revaluation reserve		**401,341**	238,422	401,340
Cash flow hedge reserve		**(9,095)**	(5,109)	(11,552)
		1,449,450	1,431,415	1,392,840

The above statements should be read in conjunction with the accompanying notes.

Condensed consolidated cash flow statement

— for the six month period ended 31 December 2009

	Notes	Six months ended 31 December 2009 Unaudited $'000	Six months ended 31 December 2008 Unaudited $'000	Year ended 30 June 2009 Audited $'000
Cash flows from operating activities				
Cash was provided from:				
Receipts from customers		**1,012,106**	1,314,431	2,167,152
Interest received		**905**	1,068	4,197
Taxation credits/(debits)		**-**	(51)	(58)
		1,013,011	1,315,448	2,171,291
Cash was applied to:				
Payments to suppliers		**833,545**	1,112,679	1,846,846
Payments to employees		**29,221**	30,629	61,577
Taxation paid		**-**	-	-
		862,766	1,143,308	1,908,423
Net cash inflow from/(outflow to) operating activities		**150,245**	172,140	262,868
Cash flows from investing activities				
Cash was provided from:				
Proceeds from disposal of property, plant and equipment		**-**	1,875	2,386
Proceeds from disposal of intangibles		**11,647**	-	-
Receipts of principal from finance lease receivable		**2,957**	2,613	5,348
		14,604	4,488	7,734
Cash was applied to:				
Purchase of property, plant and equipment		**44,644**	128,299	189,873
Purchase of intangibles		**7,517**	7,060	20,278
Purchase of oil and gas exploration and development assets		**19,753**	21,377	36,519
Purchase of investments	12	**8**	-	-
		71,922	156,736	246,670
Net cash (outflow) to investing activities		**(57,318)**	(152,248)	(238,936)
Cash flows from financing activities				
Cash was provided from:				
Proceeds from new borrowings		**50,000**	225,000	225,000
		50,000	225,000	225,000
Cash was applied to:				
Interest paid and other finance charges	9	**25,535**	23,495	44,032
Repayment of borrowings		**99,300**	174,800	150,500
Repayment of principal on finance lease liabilities		**1,730**	1,596	3,199
Ordinary dividend paid	19	**10,400**	26,000	36,400
		136,965	225,891	234,131
Net cash inflow from/(outflow to) financing activities		**(86,965)**	(891)	(9,131)

The above statements should be read in conjunction with the accompanying notes.

Condensed consolidated cash flow statement

— for the six month period ended 31 December 2009

	Notes	Six months ended 31 December 2009 Unaudited $'000	Six months ended 31 December 2008 Unaudited $'000	Year ended 30 June 2009 Audited $'000
Net increase/(decrease) in cash and cash equivalents		5,962	19,001	14,801
Cash and cash equivalents at the beginning of the period		**28,017**	13,216	13,216
Cash and cash equivalents at the end of the period		33,979	32,217	28,017
Cash and cash equivalents is comprised of:				
Cash at bank and on hand		**26,479**	29,187	28,017
Short-term deposits		**7,500**	3,030	-
		33,979	32,217	28,017

Reconciliation of profit after income tax to net cash inflow from/(outflow to) operating activities

	Notes	Six months ended 31 December 2009 Unaudited $'000	Six months ended 31 December 2008 Unaudited $'000	Year ended 30 June 2009 Audited $'000
Profit for the period		**64,552**	48,934	(135,716)
Items classified as investing/financing activities:				
Net (gain)/loss on disposal of property, plant and equipment	8	**(9)**	(1,781)	(851)
Net (gain)/loss on acquisition of associate/joint venture	8	**-**	-	1,390
Net (gain)/loss on disposal of intangibles		**(1,855)**	-	-
Interest paid and other finance charges		**6,184**	7,649	16,133
		4,320	5,868	16,672
Non-cash items				
Depreciation		**30,514**	34,852	70,891
Amortisation		**7,747**	8,457	16,694
Revaluation loss		**-**	-	261,389
Impairment		**5,259**	7,555	25,824
Equity accounted (gain)/loss of associate		**(39)**	(21)	(67)
Change in fair value of derivative financial instruments		**(1,261)**	(11,465)	4,484
Change in deferred tax liabilities		**15,990**	18,912	(58,177)
Change in capital expenditure accruals		**(9,341)**	78,856	43,254
		48,869	137,146	364,292
Movements in working capital:				
Change in trade and other receivables		**53,234**	278,275	210,947
Change in prepayments		**(3,159)**	12,662	19,868
Change in inventories		**2,760**	(1,655)	(17,022)
Change in creditors and employee entitlements		**(45,943)**	(308,831)	(227,171)
Change in current taxation receivable/payable		**8,651**	2,994	3,145
Change in provisions		**16,961**	(3,253)	27,853
		32,504	(19,808)	17,620
Net cash inflow from/(outflow to) operating activities		150,245	172,140	262,868

The above statements should be read in conjunction with the accompanying notes.

Notes to the condensed consolidated interim financial statements

— for the six month period ended 31 December 2009

1 General information

The condensed consolidated interim financial statements cover the six month period ended 31 December 2009 and have been prepared for Genesis Power Limited (the Company) and its subsidiaries (the Group). The Company was incorporated and became a state-owned enterprise on 16 December 1998 pursuant to the State-Owned Enterprises Act 1986. The Company is a profit orientated entity and is wholly owned by Her Majesty the Queen in Right of New Zealand ('the Crown'). The Group's core business is the generation, trading and retailing of energy in New Zealand.

2 Basis of preparation

The condensed consolidated interim financial statements have been prepared using accounting policies consistent with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and in accordance with New Zealand International Accounting Standard 34 Interim Financial Reporting (NZ IAS 34). In complying with NZ IAS 34, these statements comply with International Accounting Standard 34 Interim Financial Reporting.

These financial statements are presented in New Zealand dollars, rounded to the nearest thousand.

3 Accounting policies

The same accounting policies and methods of computation have been followed as those applied in Genesis Energy's Annual Report for the year ended 30 June 2009.

4 Comparative results

Comparatives have been restated to reflect the current period's classification where appropriate.

5 Seasonality

The energy business operates in an environment that is dependent on weather as one of the key drivers of supply and demand. Fluctuations in seasonal weather patterns can have a positive or negative effect on the reported result.

6 Underlying earnings after tax

Underlying earnings after tax is presented to allow stakeholders to make an assessment and comparison of underlying earnings after removing significant one-off items and the non-cash change in fair value of financial instruments.

	Six months ended 31 December 2009 Unaudited $'000	Six months ended 31 December 2008 Unaudited $'000	Year ended 30 June 2009 Audited $'000
Profit/(loss) for the period	**64,552**	48,934	(135,716)
Adjustments:			
Fair value changes of financial instruments	**(697)**	(10,065)	2,863
Loss on revaluation of property, plant and equipment	**-**	-	261,389
Impairment of property, plant and equipment	**5,593**	-	9,342
Impairment of exploration and evaluation expenditure	**(334)**	7,555	16,482
Inventory write-downs	**-**	-	6,498
Other one-off adjustments	**7,500**	-	10,000
Adjustments before income tax	**12,062**	(2,510)	306,574
Income tax	**(6,619)**	753	(88,777)
Adjustments after income tax	**5,443**	(1,757)	217,797
Underlying earnings after tax	**69,995**	47,177	82,081

Income tax is at 30% after allowing for non-deductible items and one-off adjustments.

It is the view of the Directors that the one-off items included in the above table are items that, because of their nature or incidence, should be adjusted in order to assist the user's understanding of the underlying business performance. Determining which transactions are to be considered one-off is often a subjective matter. However, circumstances that the Directors believe would give rise to one-off items for separate disclosure would include:

- disposals of interests in businesses
- discontinued operations
- property, plant and equipment revaluation gains/losses
- impairments and impairment reversals
- inventory write-downs.

7 *Segment reporting*

The Group adopted NZ IFRS 8 Operating Segments on 1 July 2009 and has applied it retrospectively for the comparative periods presented.

This segment information is consistent with the management accounts that are reviewed monthly by the Group's Chief Executive to make decisions about resources to be allocated to the segments and to assess performance. The same segments are reported monthly to the Chief Executive and the Board, except for the Oil and Gas segment which will be included with Corporate until the Kupe Gas Field is commissioned. Segment liabilities are not presented as they are not reported in the management accounts by segment.

The segment information presented complies with the Group's accounting policies.

The segments reported here have individual managers responsible for them. The segments are:

(i) Retail

Activities that are associated with the supply of energy (electricity, gas and LPG) to end user customers as well as related services.

(ii) Production

Activities that are associated with the generation and trading of electricity. The segment includes electricity sales to the wholesale electricity market and derivatives entered into to fix the price of electricity.

(iii) Oil and Gas

Exploration, development and production of gas, LPG and condensate.

(iv) Corporate

Head office functions including new generation investigation and development, fuel management, information systems, human resources, finance, corporate relations, property management, legal, corporate governance and the finance lease receivable for the Kinleith Cogeneration Plant. Corporate revenue is made up of finance lease income, property rental and miscellaneous income.

(a) *Segment revenue*

	Retail Unaudited $'000	Production Unaudited $'000	Oil & Gas Unaudited $'000	Corporate Unaudited $'000	Total Unaudited $'000
Six months ended 31 December 2009					
Electricity revenue	**619,293**	**269,394**	**-**	**-**	**888,687**
Gas and LPG revenue	**58,843**	**2,893**	**-**	**-**	**61,736**
Other revenue	**3,915**	**3,320**	**69**	**3,625**	**10,929**
Revenue from external customers	**682,051**	**275,607**	**69**	**3,625**	**961,352**
Inter-segment revenue	**-**	**297,945**	**-**	**-**	**297,945**
Total segment operating revenue	**682,051**	**573,552**	**69**	**3,625**	**1,259,297**
Six months ended 31 December 2008					
Electricity revenue	603,503	354,309	-	-	957,812
Gas and LPG revenue	74,846	495	-	-	75,341
Other revenue	3,156	2,111	-	3,679	8,946
Revenue from external customers	681,505	356,915	-	3,679	1,042,099
Inter-segment revenue	-	313,835	-	-	313,835
Total segment operating revenue	681,505	670,750	-	3,679	1,355,934
Year ended 30 June 2009					
Electricity revenue	1,189,263	613,821	-	-	1,803,084
Gas and LPG revenue	134,660	984	-	-	135,644
Other revenue	6,401	4,178	43	7,783	18,405
Revenue from external customers	1,330,324	618,983	43	7,783	1,957,133
Inter-segment revenue	-	594,021	-	-	594,021
Total segment operating revenue	1,330,324	1,213,004	43	7,783	2,551,154

	Six months ended 31 December 2009 Unaudited $'000	Six months ended 31 December 2008 Unaudited $'000	Year ended 30 June 2009 Audited $'000
Reconciliation to reported operating revenue			
Total segment operating revenue	**1,259,297**	1,355,934	2,551,154
Inter-segment revenue	**(297,945)**	(313,835)	(594,021)
Reported operating revenue	**961,352**	1,042,099	1,957,133

Sales between segments are based on transfer prices developed in the context of a long-term contract.

(b) Segment result

	Retail Unaudited $'000	Production Unaudited $'000	Oil & Gas Unaudited $'000	Corporate Unaudited $'000	Inter-segment items Unaudited $'000	Total Unaudited $'000
Six months ended 31 December 2009						
Profit/(loss) before income tax	**7,188**	**117,109**	**(2,202)**	**(33,955)**	**-**	**88,140**
Items included in segment result						
Electricity purchase, transmission and distribution	**(533,971)**	**(191,254)**	**-**	**-**	**297,945**	**(427,280)**
Gas purchase and transmission	**(54,646)**	**-**	**-**	**-**	**-**	**(54,646)**
Fuel consumed	**-**	**(166,621)**	**-**	**-**	**-**	**(166,621)**
Depreciation and amortisation	**(3,529)**	**(29,590)**	**-**	**(5,142)**	**-**	**(38,261)**
Impairment	**-**	**(5,590)**	**661**	**(330)**	**-**	**(5,259)**
Other gains and losses	**331**	**4,065**	**(2,171)**	**(534)**	**-**	**1,691**
Loss on revaluation of property, plant and equipment	**-**	**-**	**-**	**-**	**-**	**-**
Finance income	**436**	**-**	**314**	**18,903**	**(18,748)**	**905**
Finance expense	**(540)**	**(879)**	**(1,009)**	**(22,683)**	**18,748**	**(6,363)**
Equity accounted gain/(loss) of associate	**-**	**-**	**-**	**39**	**-**	**39**
Six months ended 31 December 2008						
Profit/(loss) before income tax	15,736	92,446	808	(38,830)	-	70,160
Items included in segment result						
Electricity purchase, transmission and distribution	(524,822)	(313,103)	-	-	313,835	(524,090)
Gas purchase and transmission	(60,841)	-	-	-	-	(60,841)
Fuel consumed	-	(176,672)	-	-	-	(176,672)
Depreciation and amortisation	(3,963)	(34,514)	-	(4,832)	-	(43,309)
Impairment	-	-	(7,555)	-	-	(7,555)
Other gains and losses	-	2,639	8,481	(1,772)	-	9,348
Loss on revaluation of property, plant and equipment	-	-	-	-	-	-
Finance income	814	-	14,300	446	(14,492)	1,068
Finance expense	(823)	(1,085)	(13,701)	(6,820)	14,492	(7,937)
Equity accounted gain/(loss) of associate	-	-	-	21	-	21
Year ended 30 June 2009						
Profit/(loss) before income tax	42,643	(122,024)	(11,293)	(97,987)	-	(188,661)
Items included in segment result						
Electricity purchase, transmission and distribution	(1,019,354)	(512,446)	-	-	594,021	(937,779)
Gas purchase and transmission	(110,269)	-	-	-	-	(110,269)
Fuel consumed	-	(344,752)	-	-	-	(344,752)
Depreciation and amortisation	(7,933)	(69,800)	-	(9,852)	-	(87,585)
Impairment	(154)	-	(8,283)	(17,387)	-	(25,824)
Other gains and losses	(653)	(5,570)	1,786	1,250	-	(3,187)
Loss on revaluation of property, plant and equipment	-	(261,389)	-	-	-	(261,389)
Finance income	1,779	-	29,526	7,058	(34,166)	4,197
Finance expense	(1,625)	(2,804)	(33,045)	(14,025)	34,166	(17,333)
Equity accounted gain/(loss) of associate	-	-	-	67	-	67

(c) Segment assets

	Retail Unaudited $'000	Production Unaudited $'000	Oil & Gas Unaudited $'000	Corporate Unaudited $'000	Total Unaudited $'000
Six months ended 31 December 2009					
Assets	**255,114**	**1,635,925**	**563,978**	**114,038**	**2,569,055**
Capital expenditure	**1,905**	**11,533**	**73,484**	**6,347**	**93,269**
Six months ended 31 December 2008					
Assets	267,726	1,648,622	433,417	133,718	2,483,483
Capital expenditure	1,871	11,884	69,179	17,657	100,591
Year ended 30 June 2009					
Assets	291,693	1,695,378	496,523	101,832	2,585,426
Capital expenditure	3,960	46,452	149,132	27,283	226,827

Segment assets are disclosed net of inter-segment liabilities.

(d) Geographic information

All business segments operate within New Zealand.

(e) Major customer information

The Group has no individual customers that account for 10% or more of the Group's external revenue.

8 Other gains/losses

	Six months ended 31 December 2009 Unaudited $'000	Six months ended 31 December 2008 Unaudited $'000	Year ended 30 June 2009 Audited $'000
Net ineffective gain/(loss) on cash flow hedges	**5**	(16)	1
Net fair value gain/(loss) on hedges at fair value through profit or loss	**692**	10,081	(2,864)
Fair value changes of financial instruments	**697**	10,065	(2,863)
Net gain/(loss) on disposal of property, plant and equipment	**9**	1,781	851
Net gain/(loss) on disposal of intangibles	**1,855**	-	-
Net gain/(loss) on financial liabilities measured at amortised cost:			
- Net realised foreign exchange gain/(loss)	**(91)**	(975)	848
- Net unrealised foreign exchange gain/(loss)	**(779)**	(1,523)	(633)
Net gain/(loss) on acquisition of associate/joint venture	**-**	-	(1,390)
	1,691	9,348	(3,187)

9 Finance expense

	Six months ended 31 December 2009 Unaudited $'000	Six months ended 31 December 2008 Unaudited $'000	Year ended 30 June 2009 Audited $'000
Interest paid	**22,267**	21,045	43,838
Other finance charges	**1,778**	1,132	2,527
Time value of money adjustments on provisions	**179**	288	1,200
	24,224	22,465	47,565
Interest paid and other finance charges capitalised to assets	**(17,861)**	(14,528)	(30,232)
	6,363	7,937	17,333

10 Income tax expense

(a) Income tax expense

	Six months ended 31 December 2009 Unaudited	Six months ended 31 December 2008 Unaudited	Year ended 30 June 2009 Audited
	$'000	$'000	$'000
Current tax	11,652	3,046	3,159
Deferred tax	14,936	18,180	(56,183)
Under/(over) provided in prior periods	(3,000)	-	79
Income tax expense	23,588	21,226	(52,945)

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	Six months ended 31 December 2009 Unaudited	Six months ended 31 December 2008 Unaudited	Year ended 30 June 2009 Audited
Profit before income tax	88,140	70,160	(188,661)
Tax thereon at 30% (2008: 30%)	26,442	21,048	(56,598)
Tax effect of adjustments	146	178	3,574
Under/(over) provided in prior periods	(3,000)	-	79
Income tax expense	23,588	21,226	(52,945)
Weighted average tax rate	26.8%	30.3%	28.1%

11 Financial instruments

(a) Fair value of financial instruments

The fair values of the significant types of financial instruments outstanding as at balance date, together with the designation of their hedging relationship, are summarised below:

	Hedge accounting designation	Six months ended 31 December 2009 Unaudited	Six months ended 31 December 2008 Unaudited	Year ended 30 June 2009 Audited
		$'000	$'000	$'000
Current assets				
Interest rate swap contracts	Cash flow hedge	661	-	-
Foreign exchange contracts	Cash flow hedge	142	11,057	1,347
Electricity contracts for difference	Cash flow hedge	2,616	1,484	2,055
Electricity contracts for difference and options	Held for trading	587	799	1,618
Oil options	Held for trading	572	-	846
Bunker fuel price swaps	Held for trading	-	-	659
Total current derivative financial instrument assets		4,578	13,340	6,525
Non-current assets				
Interest rate swap contracts	Cash flow hedge	(312)	-	-
Foreign exchange contracts	Cash flow hedge	-	320	-
Electricity contracts for difference	Cash flow hedge	-	1	378
Electricity contracts for difference and options	Held for trading	141	386	54
Oil options	Held for trading	2,521	10,354	3,723
Total non-current derivative financial instrument assets		2,350	11,061	4,155
Total derivative financial instrument assets		6,928	24,401	10,680

	Hedge accounting designation	Six months ended 31 December 2009 Unaudited $'000	Six months ended 31 December 2008 Unaudited $'000	Year ended 30 June 2009 Audited $'000
Current liabilities				
Interest rate swap contracts	Cash flow hedge	**(8,403)**	(11,625)	(13,205)
Foreign exchange contracts	Cash flow hedge	**(3,327)**	(276)	(2,716)
Electricity contracts for difference	Cash flow hedge	**(3,536)**	(495)	(2,059)
Electricity contracts for difference and options	Held for trading	**(1,359)**	(671)	(2,048)
Total current derivative financial instrument liabilities		**(16,625)**	(13,067)	(20,028)
Non-current liabilities				
Interest rate swap contracts	Cash flow hedge	**(684)**	(3,336)	(1,148)
Foreign exchange contracts	Cash flow hedge	**(225)**	(3)	(545)
Electricity contracts for difference	Cash flow hedge	**-**	(3,854)	(5,976)
Electricity contracts for difference and options	Held for trading	**(9,165)**	(5,238)	(6,472)
Total non-current derivative financial instrument liabilities		**(10,074)**	(12,431)	(14,141)
Total derivative financial instrument liabilities		**(26,699)**	(25,498)	(34,169)
Total net financial instruments		**(19,771)**	(1,097)	(23,489)

The carrying amounts of derivative financial instruments approximates their fair values. The fair valuation methodology and assumptions used are consistent with those disclosed in Genesis Energy's Annual Report for the year ended 30 June 2009.

During the period, the Group entered into a five year electricity derivative contract giving the right to a counterparty to exercise a call option. The exercise period during each of the five years is from April to October. The baseload quantity for the first year is 50MW and for the next four years is 200MW.

(b) Financial risk management objectives

In the normal course of business, the Group is exposed to a variety of financial risks; market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses financial instruments to hedge these risk exposures. The overall risk management is governed by written policies approved by the Board.

(c) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign currency risk as a result of transactions denominated in a currency other than the Group's functional currency, New Zealand dollars (NZD). The Group uses foreign exchange contracts to manage foreign exchange risk arising from future commercial transactions and recognised assets and liabilities.

(ii) Price risk

The Group is exposed to commodity price risk primarily from electricity and oil prices. To manage its commodity price risk in respect of electricity, the Group utilises electricity swaps and options to hedge against electricity spot price exposure. To manage its commodity price risk in respect of oil sales, the Group utilises oil price options which provides a minimum price for future oil sales.

(d) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. The Group is exposed to credit risk in the normal course of business arising from trade receivables, finance leases where the group is lessor, and with financial institutions.

The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded are spread amongst approved counterparties.

(e) Liquidity risk

The Group's ability to readily attract cost effective funding is largely driven by its credit standing.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the spreading of debt maturities. Liquidity risk is monitored by continuously forecasting cash flows and matching the maturity profiles of financial assets and liabilities.

(f) Interest rate risk

The Group is exposed to interest rate risk as it borrows funds at floating interest rates. The risk is managed through the use of interest rate swap contracts.

12 Investments accounted for using equity method

During the period, the Group acquired a 20% share of a newly incorporated company, EnergyHedge Limited, for $8,000. The company is considered an associate company, and operates a centralised trading platform for standardised derivative contracts on electricity prices in New Zealand.

13 Property, plant and equipment

(a) The movement in property, plant and equipment is summarised as:

	Six months ended 31 December 2009 Unaudited $'000	Six months ended 31 December 2008 Unaudited $'000	Year ended 30 June 2009 Audited $'000
Balance at beginning of the period	**1,912,181**	1,851,215	1,851,215
Additions	**53,995**	49,497	146,618
Interest and other finance costs capitalised	**14,398**	11,970	24,766
Revaluation gain/(loss)	**-**	-	(28,622)
Disposals	**-**	(149)	(1,563)
Depreciation charge	**(30,514)**	(34,852)	(70,891)
Impairment losses charged to the income statement*	**(5,590)**	-	(9,342)
Balance at end of the period	1,944,470	1,877,681	1,912,181

* Impairment losses to 31 December 2009 represents additions to Huntly generation asset Units 1 to 4. These generation asset units were revalued to zero at 30 June 2009.

(b) The property, plant and equipment balance is comprised of:

	As at 31 December 2009 Unaudited $'000	As at 31 December 2008 Unaudited $'000	As at 30 June 2009 Audited $'000
Capital work in progress*	**456,958**	377,556	410,241
Freehold land	**7,999**	17,721	7,371
Buildings and improvements	**1,372**	1,341	1,392
Generation assets	**1,455,877**	1,441,023	1,475,984
Leased plant and equipment	**2,095**	24,057	2,127
Other	**20,169**	15,983	15,066
Total property, plant and equipment	1,944,470	1,877,681	1,912,181

* Capital work in progress includes the Kupe oil and gas production and storage facilities and offshore platform. Commissioning of the facilities began in December 2009 and is yet to be completed.

14 Intangible assets

(a) The movement in intangible assets is summarised as:

	Six months ended 31 December 2009 Unaudited $'000	Six months ended 31 December 2008 Unaudited $'000	Year ended 30 June 2009 Audited $'000
Balance at beginning of the period	**133,002**	121,317	125,459
Additions	**7,517**	11,201	20,278
Disposals*	**(9,793)**	-	-
Amortisation charge	**(5,876)**	(6,412)	(12,735)
Balance at end of the period	**124,850**	126,106	133,002

* During the period, the Group sold 401,000 emissions units and its Infogen internet customer base. No goodwill was assigned to the Infogen internet customers.

(b) The intangibles assets balance is comprised of:

	As at 31 December 2009 Unaudited $'000	As at 31 December 2008 Unaudited $'000	As at 30 June 2009 Audited $'000
Goodwill	**102,599**	102,599	102,599
Naming rights	**4,431**	4,485	5,067
Computer software	**16,613**	19,022	14,336
Emissions units	**1,207**	-	11,000
Total intangible assets	**124,850**	126,106	133,002

15 Oil and gas exploration and development assets

(a) The movement in oil and gas exploration and development assets is summarised as:

	Six months ended 31 December 2009 Unaudited $'000	Six months ended 31 December 2008 Unaudited $'000	Year ended 30 June 2009 Audited $'000
Balance at beginning of the period	**102,554**	78,442	78,442
Additions	**19,755**	21,377	35,128
Interest and other finance costs capitalised	**3,463**	2,558	5,466
Impairment losses reversed/(charged) to the income statement*	**331**	(7,555)	(16,482)
Balance at end of the period	**126,103**	94,822	102,554

* The impairment amount written off represents capitalised exploration expenditure on the Kupe (Momoho), Mangatoa and Cardiff gas and condensate fields. Those gas and condensate fields are considered to be impaired as test results indicate they are not economic to develop further.

(b) The oil and gas exploration and development assets are comprised of:

	As at 31 December 2009 Unaudited $'000	As at 31 December 2008 Unaudited $'000	As at 30 June 2009 Audited $'000
Mining licences	**16,518**	16,518	16,518
Exploration and evaluation expenditure	**-**	10,050	-
Oil and gas development expenditure	**109,585**	68,254	86,036
Total oil and gas exploration and development assets	**126,103**	94,822	102,554

16 Borrowings

On 20 August 2009 the Group issued fixed rate bonds totalling $25 million and floating rate bonds totalling $25 million, maturing on 20 February 2017. The bonds were issued by a private placement with an institutional investor.

On 30 September 2009 the Group entered into two new revolving credit facilities totalling $100 million. The first facility of $50 million expires on 30 September 2012, and the second facility of $50 million expires on 30 September 2013. The facilities incur interest at floating market rates plus the applicable bank margin.

On 5 October 2009 Tranche B of the existing revolving credit facility totalling $275 million expired.

17 Provisions

(a) The movement in provisions is summarised as:

	Six months ended 31 December 2009 Unaudited $'000	Six months ended 31 December 2008 Unaudited $'000	Year ended 30 June 2009 Audited $'000
Balance at beginning of the period	**53,634**	25,782	25,782
Provisions made during the period*	**18,056**	216	31,004
Provisions used during the period	**(1,274)**	(3,758)	(4,352)
Unwinding of discount	**179**	288	1,200
Balance at end of the period	70,595	22,528	53,634

* During the period, the Group made additional provision for the rehabilitation and restoration of the Kupe Oil and Gas Field and increased Other Provisions to reflect best estimates of expected outcomes. Other Provisions represents the present value of contracted costs and compensation claims covering a range of commercial matters including mitigation agreements, which are the subject of legal privilege and/or confidentiality arrangements. The provision for the Carter Holt Harvey claim as disclosed in the 30 June 2009 Annual Report has been adjusted to reflect settlement of the proceedings after balance date (refer Note 23).

(b) The provisions liability is comprised of:

	As at 31 December 2009 Unaudited $'000	As at 31 December 2008 Unaudited $'000	As at 30 June 2009 Audited $'000
Rehabilitation and restoration	**38,895**	12,223	30,813
Customer rewards	**4,885**	-	2,542
Other provisions	**26,815**	10,305	20,279
Total provisions	70,595	22,528	53,634
Current	**25,730**	5,889	4,534
Non-current	**44,865**	16,639	49,100
	70,595	22,528	53,634

18 Deferred tax liabilities

(a) The movement in the deferred tax liability is summarised as:

	Six months ended 31 December 2009 Unaudited $'000	Six months ended 31 December 2008 Unaudited $'000	Year ended 30 June 2009 Audited $'000
Balance at beginning of the period	**236,965**	225,320	225,320
Movement in temporary differences recognised in:			
- Income statement	**14,936**	18,180	(56,183)
- Equity	**1,054**	732	67,792
- Current tax payable/receivable	**-**	-	36
Balance at end of the period	**252,955**	244,232	236,965

(b) The deferred tax liability is comprised of:

	As at 31 December 2009 Unaudited $'000	As at 31 December 2008 Unaudited $'000	As at 30 June 2009 Audited $'000
Property, plant and equipment	**323,850**	300,445	308,466
Oil and gas exploration and development assets	**(44,803)**	(43,676)	(45,958)
Intangibles	**6,313**	7,052	5,821
Trade and other receivables	**(1,581)**	76	(729)
Inventories	**-**	(927)	-
Employee entitlements	**(1,084)**	(1,185)	(1,254)
Provisions	**(13,543)**	(6,161)	(11,187)
Finance lease liabilities	**(7,304)**	(7,734)	(7,534)
Financial instruments	**(7,651)**	(2,472)	(8,965)
Other	**(1,242)**	(1,186)	(1,695)
Total liability	**252,955**	244,232	236,965

(c) The composition of deferred tax balances

Deferred tax assets and liabilities are offset on the face of the Balance Sheet where it is likely they will be settled on a net basis. The net deferred tax liability comprises solely of temporary differences.

19 Ordinary dividends

The Company paid the following fully imputed dividends during the period:

	Dividend payment date	**Six months ended 31 December 2009 Unaudited** $'000	Six months ended 31 December 2008 Unaudited $'000	Year ended 30 June 2009 Audited $'000
Dividends paid during the period:				
2008 Year final dividend	30 September 2008	**-**	26,000	26,000
2009 Year interim dividend	31 March 2009	**-**	-	10,400
2009 Year final dividend	30 September 2009	**10,400**	-	-
Total Ordinary dividends paid		**10,400**	26,000	36,400

On 23 February 2010 the Board of Directors approved an interim dividend for the 2010 year of $28.7 million.

20 Contingent assets and liabilities

The Group's contingent assets and liabilities were disclosed in the Genesis Energy Annual Report for the year ended 30 June 2009. There has been no change in the nature or status of these contingencies except as stated below:

(i) Electricity market review changes

"The Government recently announced the proposed outcomes of the electricity market review. The review proposed the following changes, namely:

- Transferring Tekapo A and B Power Stations from Meridian Energy to Genesis Energy;
- Genesis Energy, Meridian Energy and Mighty River Power undertaking virtual asset swaps between the North and South Islands over 15 years so as to provide more competition in the island where they currently have little to no generation capacity;
- Mandatory hedging for generators;
- Allowing lines companies back into electricity retailing;
- Establishing a $15 million fund over three years to promote customer switching between retailers; and
- Abolish the reserve energy scheme and require retailers to compensate consumers during conservation campaigns.

The financial effect of the above proposals has not been quantified but may materially impact the financial position and financial performance of the Group going forward.

(ii) Carbon emissions

The Group's liability for carbon emissions is due to commence from 1 July 2010. From inception through to 31 December 2012, the Group will be liable to the Government for carbon emissions at a rate of $12.50 per tonne CO_2. Thereafter the Group will be required to source and supply its own emissions units. The Group's emissions liability will be dependent on thermal generation output, upstream gas production, and emissions units' prices.

(ii) Contractor claims

A subcontractor to the Kupe Alliance has presented several claims relating to the construction of the Kupe project. These claims have been disputed by the Kupe operator. There can be no assurances that such claims will not have a material adverse impact on Genesis Energy's business, financial condition or results of operations.

21 Commitments

	As at 31 December 2009 Unaudited $'000	As at 31 December 2008 Unaudited $'000	As at 30 June 2009 Audited $'000
Total capital and investment commitments	**7,781**	48,248	48,965
Total operating lease commitments	**45,882**	66,341	69,432

Other operating expenditure commitments

The Group has various operating expenditure commitments including costs associated with installation of advanced meters, long-term maintenance agreements, fuel purchases, coal transportation and storage commitments. The nature of the more significant commitments was disclosed in the Genesis Energy Annual Report for the year ended 30 June 2009. There has been no significant change in the nature or amount of these commitments since 30 June 2009.

22 Resource consents

The Group requires resource consents (authorisations to use land, water and air) obtained under the Resource Management Act, 1991, to enable it to operate its thermal, hydro, and wind power stations. The duration of resource consents varies up to a maximum of 35 years. The current resource consents within which the Group's power stations operate are due for renewal at varying times. The renewal dates are fixed by the expiry date of the consent, or, in the case of resource consents granted under earlier legislation where there is no expiry date, by the date set by the Resource Management Act 1991.

23 Events occurring after the balance sheet date

In February 2010, Genesis Power Limited, Rolls-Royce New Zealand Limited and Rolls-Royce Power Engineering Plc, and Carter Holt Harvey Limited reached an agreement to settle the legal proceedings between the parties in connection with the Kinleith Cogeneration plant.

There are no other significant events occurring after balance sheet date requiring disclosure.

Notes

Notes

Directory

Board of Directors

Chairman
Rt Hon Dame Jenny Shipley DNZM

Directors
Joanna Perry MNZM (Deputy Chair)
Annabel Cotton
Ian Kusabs
Nicki Crauford
Barbara Elliston
Sara Lunam
Denis Wood
Graeme Milne

Executive Management Team

Chief Executive
Albert Brantley

General Counsel and Company Secretary
Maureen Shaddick

GM Finance
Mark Anderson

GM Retail
Dean Carroll

GM Production
Bob Weir

GM Corporate Affairs
Malcolm Alexander

GM Generation Development
Richard Pearce

GM Corporate Services
Peggy Molyneux

GM Fuel Development
Allan Melhuish

GM Energy Online
Nic McCondach

Address of Office

Corporate Office

602 Great South Road
PO Box 17188
Greenlane 1546
Auckland

Telephone: +64 9 580 2094
Facsimile: +64 9 580 4894

www.genesisenergy.co.nz

Banker

Westpac

Solicitor

Russell McVeagh

Auditor

Bruce Taylor of Deloitte has been appointed to perform the audit on behalf of the Auditor-General.

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has EMAS, ISO 14001, and FSC certifications and is Elemental Chlorine Free.

} "*Talk again soon…*" {